

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

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CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 USIA-06

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1317

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E.O. 11652: N/A

TAGS: EFIN, CRP, CI

SUBJECT: CENTRAL GOVERNMENT BUDGET FOR 1975

REF: CERP 9200

1. SUMMARY: GOC HAS PUBLISHED 1975 BUDGET CALLING FOR EXPENDITURES OF 5.3 TRILLION ESCUDOS AND 650 MILLION DOLLARS. PLANNED DEFICIT IS 18.6 PERCENT, BUT EMBASSY BELIEVES THIS IS UNDER-ESTIMATE. PUBLIC SECTOR EMPLOYMENT IS TO BE REDUCED TO NOT MORE THAN 353 THOUSAND BY DECEMBER 31, 1975. END SUMMARY.

2. FY-CY 1975 BUDGET WAS PUBLISHED IN DIARIO OFFICIAL DECEMBER 4 AS DECREE LAW 785. BUDGET EXPENSES ARE PROJECTED AS CLOSE TO 5.3 TRILLION ESCUDOS PLUS SLIGHTLY OVER 650 MILLION DOLLARS (CURRENT EFFECTIVE EXCHANGE RATE IS 1790 PER DOLLAR).

3. ESCUDO EXPENDITURES ARE DIVIDED PRINCIPALLY AS FOLLOWS: FINANCE MINISTRY, 22.6 PERCENT; DEFENSE MINISTRY, 21 PERCENT; MINISTRY OF PUBLIC EDUCATION, 15.9 PERCENT; AND MINISTRY OF PUBLIC WORKS, 11.4 PERCENT.

4. DOLLAR EXPENDITURES ARE PROJECTED PRIMARILY FOR FINANCE
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MINISTRY, 65.5 PERCENT; DEFENSE MINISTRY, 16.3 PERCENT; AND
MINISTRY OF ECONOMY, 7.8 PERCENT.

5. DEFICITS ARE PROJECTED AT 11 PERCENT FOR ESCUDO EXPENDITURES AND 59.4 PERCENT FOR DOLLARS, FOR COMBINED TOTAL DEFICIT OF 18.6 PERCENT. (DEFICIT IN 1974 WILL BE APPROXIMATELY 25 PERCENT).

6. AN UNUSUAL FEATURE OF THIS YEAR'S BUDGET IS THAT IT SETS PERSONNEL CEILINGS FOR CIVILIAN PUBLIC SERVICE EMPLOYEES, INCLUDING MUNICIPALITIES. OVERALL CEILING WILL BE 353,191 PERSONS ON DECEMBER 31, 1975.

7. BIGGEST SHIFT IN ALLOCATION OF RESOURCES IS IN FAVOR OF MINISTRY OF DEFENSE, WHICH WILL RECEIVE 21 PERCENT OF ESCUDO EXPENDITURES IN 1975 AS COMPARED TO 12 PERCENT IN 1974.

8. COMMENT: PRESS REPORTS INDICATE THAT BUDGET WAS COMPILED ASSUMING AVERAGE LME COPPER PRICE OF 65 CENTS PER POUND, WHICH SEEMS SUFFICIENTLY PESSIMISTIC TO INSURE THAT LARGE INACCURACIES IN BUDGET WILL NOT DEVELOP DUE TO UNDERESTIMATION OF RETURNS FROM COPPER. HOWEVER, BUDGET ASSUMES INFLATION FOR YEAR AT ONLY 50 PERCENT, A GROSS UNDERESTIMATION. SINCE WAGES NOW INCREASE BY SAME AMOUNT AS CPI CHANGE WHILE REVENUE INCREASES ARE NOT SO DIRECTLY LINKED TO INFLATION, DEFICIT IS LIKELY TO BE GREATER THAN PROJECTED.

9. OUR PRELIMINARY JUDGEMENT IS THAT THIS BUDGET IS NOT LIKELY TO BE SIGNIFICANT BRAKE ON CURRENT RATE OF INFLATION. DETAILS AND ANALYSIS WILL FOLLOW BY AIRGRAM.
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